

Prudential Long Dated Corporate Bond fund (series 3)



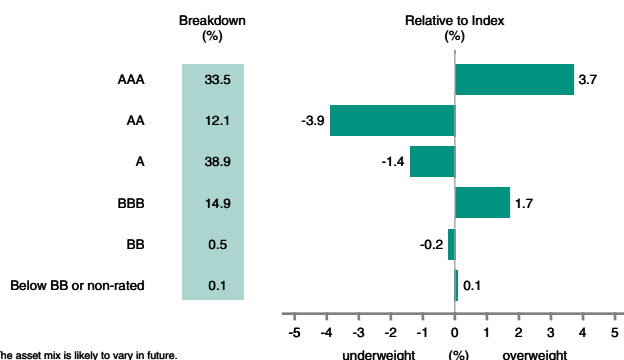
Fund description

The fund invests mainly in high quality sterling corporate bonds with over 15 years to maturity. The fund is actively managed against its performance benchmark of the iBoxx Sterling Over 15 Years Non-Gilts Index. The fund may also hold UK government gilts and derivatives (such as options and swaps) together with limited amounts of nonstriking and high yield corporate bonds where this may prove beneficial in the shorter term.

Key facts

Underlying fund size	£983m
Number of holdings	185
Underlying fund launch date	04/02/1998
Portfolio Manager	Jamie Hamilton
Benchmark	iBoxx Sterling Over 15 Years Non-Gilt Index
Investment Style	Prudent active
Sedol code	3373204
Performance Objective	0.80% gross per annum above the benchmark on a rolling 3 year basis

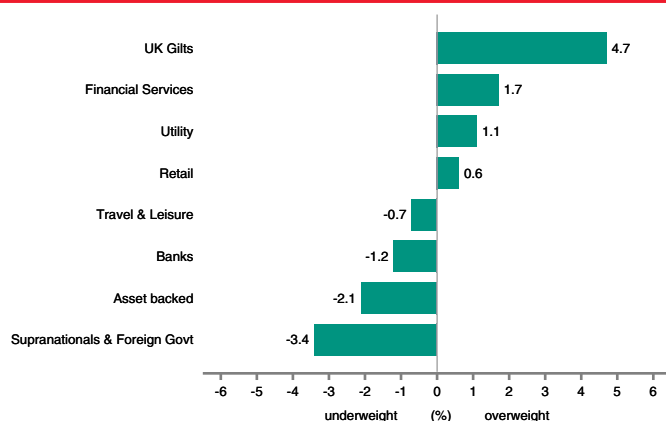
Credit ratings and positions



Commentary

In an environment of stronger risk appetite among investors, corporate bonds maintained their good performance during the final quarter of 2009. Corporate bond spreads (that is, the excess yield over a government bond of similar maturity) continued to tighten during the period. However, among bonds with longer maturities, such as 15 years or more, the narrowing in spreads was not enough to offset a sharp rise in the yields of government bonds with similar maturities. The result was a decline in returns from long dated corporate bonds during the three-month period.

Sector positions vs benchmark



The fund retains a neutral position in credit relative to the benchmark. Following the excellent returns from corporate bonds in 2009, the fund manager now favours a lower risk strategy. Nevertheless, the fund remains well placed to take advantage of any attractive opportunities in the corporate bond market as and when they arise, especially since we are likely to see further volatility given the uncertain economic environment. The focus of the fund manager's investment strategy is therefore on careful stock selection, which he believes will be the main driver of performance in the months ahead.

Source: M&G
All figures are as at 31 December 2009, unless otherwise stated.

Performance

Past performance of the fund over each of the last 5 years to the end of December

	31/12/08 - 31/12/09	31/12/07 - 31/12/08	31/12/06 - 31/12/07	31/12/05 - 31/12/06	31/12/04 - 31/12/05
Long Dated Corporate Bond fund	14.1	-0.6	0.0	0.5	12.0
Benchmark	12.7	-5.1	-1.2	-0.2	12.1

Past performance of the fund to 31 December 2009

	Quarter	1 Year*	3 Years*	5 Years*
Long Dated Corporate Bond fund	-1.3	14.1	4.3	5.0
Benchmark	-1.3	12.7	1.9	3.3

Source: Prudential and Financial Express. *annualised

Based on percentage change in unit price. It is important to remember that past performance is not a reliable indicator of future performance. The value of your investment may go down as well as up and the fund value at retirement may be less than the payments you have made.

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Prudential risk rating

Lower to Medium

What type of funds are in this risk category?

Some of these funds invest in fixed interest securities, predominantly corporate bonds, with higher yielding corporate bonds placed towards the top end of this range as they carry higher default risk. The other funds in this category invest in a wide range of assets which help to provide risk diversification.

What is the risk rating?

- Risk ratings have been developed by Prudential to help provide an indication of the potential level of risk and reward that is attributable to a fund based on the type of assets which may be held within the fund. Other companies may use different descriptions and as such these risk ratings should not be considered as generic across the fund management industry.
- Prudential will keep the risk ratings under regular review and as such they may be subject to change in the future. We therefore recommend that before making any fund choice in the future you understand the appropriate risk rating before making a decision. You will find this information at www.pru.co.uk.
- You should also consider discussing your decision and the appropriateness of this risk rating with an adviser

Important information

Who is this factsheet for and what does it do?

This factsheet is intended for the trustees, sponsors, advisers and members of occupational pension schemes using Prudential group pension contracts and Prudential grouped personal pensions and Stakeholder pension contracts.

Its purpose is to shed some light on how investment markets and funds have performed over the period and is provided for information only.

If you are not familiar with any of the investment terminology included on this factsheet, then please contact an adviser.

Can I get advice?

This factsheet should not be considered as a financial promotion and any changes to investment arrangements should be discussed with an adviser. It is not our intention to give an indication of how any particular funds will perform in the future. The commentary in this factsheet reflects the general views of the individual fund manager and should not be taken as a recommendation or advice as to how a specific market or fund is likely to perform.

Who manages the funds?

This fund is managed by M&G Investments.

How are the performance figures calculated?

The performance shown overleaf is measured on the fluctuation of the daily published price. This published price is adjusted to accommodate the fund's dealing cycle where appropriate.

To obtain current unit price and performance information for all funds in the Prudential Fund range, simply log on to <http://www.pru.co.uk/funds/series/> and choose 'Pension Funds' and then select Prudential Corporate Pensions (Series 3).

How are the fund prices calculated?

This fund has a single price, based on the valuation of the underlying assets and cash flows into and out of the fund. This valuation price will be the published price.

What is the dealing cycle?

The Pensions Series 3 fund range is forward priced which means that the member gets the next available price after they invest.

This fund has a dealing cycle of T+0. This means that money received on day T buys units at the valuation date price applicable at close of business on the same day

Other important information

Exchange Rate fluctuations may cause the Sterling values of overseas investments to rise or fall.

Retirement has more potential with

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